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SUBJECT: SLOVENIAN CITIES HOPE TO BECOME "BOOMTOWNS"

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11. (U) Summary. After years of recession and high unemployment as former socialist industries collapsed, Slovenia's northeast now aims to become a "boomtown." The cornerstone of the projected development is the strategic cooperation between municipalities Maribor and Hoce-Slivnica, Maribor Airport, and the PC Tezno Business Park. This public-private partnership hopes to bring domestic and foreign investment to the region by creating synergy through linking individual strategies for economic expansion into one comprehensive, regional plan. The stakeholders expect to capitalize on Maribor's location at the intersection of the fifth and tenth European transport corridors. What this adds up to is a region that at least claims to be far more open to foreign trade and investment than the capital city, Ljubljana. End Summary.

12. (U) As part of a two-day visit to the region January 25-26 (Reftel), COM met with the new Mayor of Hoce-Slivnica, Joz Merkuro from the Social Democratic party (SD), Maribor Airport director Matjaz Sonc, and director of PC Tezno Business Park, Gorazd Bende to discuss the regional plans for the development of the logistics center.

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The Sum Stronger Than Its Parts  
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3.(U) Taking a lesson from last year's failed bid by Hoce-Slivnica municipality to buy the airport for 3.1 million euros, Merkuro, Sonc and Bende believe that working together will yield results not possible individually. The triumvirate has hired the Economic Institute of Maribor and the Maribor Development Agency to create a development scheme.

14. (U) In his meetings, COM stressed the need for Maribor and its surrounding environs to develop "niche" businesses as they seek to connect regionally and to the world economy. Slovenia should meet its challenges: as a small country it needs to work harder to generate foreign trade and investment. Slovenia, however, also has some strong advantages: membership in the euro zone, membership in the Schengen zone by the end of 2007, and the EU presidency in 12008. Slovenia's municipalities should also capitalize on these strengths.

15. (U) International access through Maribor Airport, a public-private venture with the Slovenian Ministry of Transportation, is one critical component of the development plan. Currently, the business survives on regional cargo contracts and some summertime charter flights, with no regular commercial airlines flying out of Maribor. Sonc agreed with COM's statement about the need for a niche. He revealed that Ryanair, the Irish discount carrier, may start

flying out of Maribor Airport as soon as this summer, once airport control procedure changes are approved by the airport governing board. Also, the Ministry of Transport has committed to refurbishing the passenger terminal in preparation for Slovenia's entry into the Schengen zone by the end of 2007. It will extend the airstrip to 3300 meters, which is the required runway-length for long-distance airplanes to land.

16. (U) Tezno Business Park is one of the incentives that stakeholders believe will attract businesses to the Maribor area. Tezno, which currently occupies 60 hectares of land, is a combination of manufacturing companies such as car-parts maker CIMOS, and high-tech companies like software company Hermes-Softlab. With a 40-hectare expansion plan and an established infrastructure, Tezno has recently attracted an Austrian manufacturing company to Maribor. Currently at 60 percent capacity, Bende hopes to attract more international companies to Tezno, especially once the initial airport renovations are completed. There are several companies currently in Tezno with a strong U.S. connection, and Bende said he would welcome the opportunity to have U.S. companies locate in Tezno.

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Comment: Maribor More Open to FDI  
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17. (U) At every meeting, COM was met with open arms by Maribor's business and institutional representatives expressing their aspiration for more substantive contact with the U.S. This came as a welcome development, since the general attitude toward foreign businesses in Ljubljana is often one of caution or disinterest. Historically, many of Ljubljana's institutions have held an elite view of their position in Slovenia, and rarely cooperate with other municipalities. This position as the "second city" and its rough times in the late nineties and recently, are further incentives for the Maribor region to court foreign businesses. Maribor's development plan leverages its lower average salary (80 percent of Ljubljana's), the airport's passenger and cargo expansion, its prime location at the intersection between the fifth and tenth transport corridors, and the proposed Maribor rail connection to the port city of Koper to carve out its "niche" as the logistics center for Central Europe. The outreach to foreigners and its collaborative regional plan could make Maribor a more attractive investment area than it has been since the dissolution of Yugoslavia. End Comment.  
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